



# **BUILDING HOME**

## **CHDO Requirements and Activities**



- This chapter covers:
  - ◆ The set-aside requirement
  - ◆ CHDO Qualifying criteria
  - ◆ Uses of HOME funds and roles for CHDOs
  - ◆ Selecting CHDOs
  - ◆ Building eligibility and capacity
  - ◆ Establishing long-term relationships



# CHDO Set-Aside

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- The equivalent of at least 15% of each allocation must go to housing owned/developed/ sponsored by CHDOs
- PJs have 24 months to reserve Funds for CHDOs



# CHDO Qualifying Criteria

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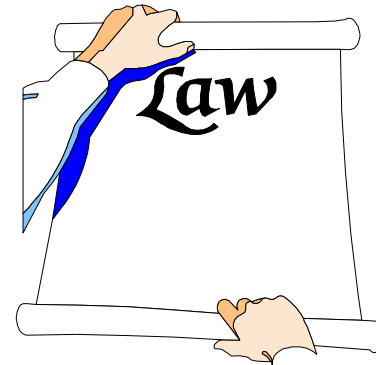
- CHDOs must meet requirements pertaining to their:
  - ◆ Legal status
  - ◆ Organizational structure
  - ◆ Capacity and experience



# Legal Status



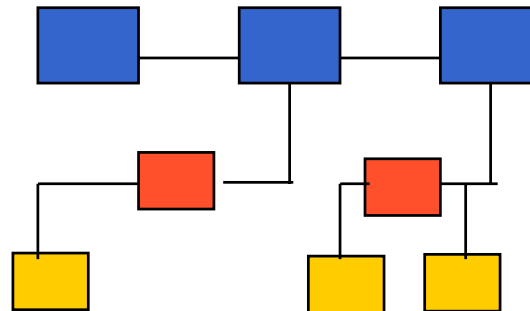
- To be eligible, organization must:
  - ◆ Be organized under state and local law
  - ◆ Have as its purpose to provide decent and affordable housing to low/mod income persons
  - ◆ Provide no individual benefit
  - ◆ Have a clearly defined service area
  - ◆ Have an IRS non-profit status



# Organizational Structure



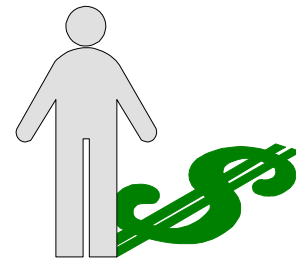
- CHDO board must have:
  - ◆ At least 1/3 reps of low-income community
  - ◆ No more than 1/3 reps of public sector
- Balance is unrestricted except when sponsored/organized by a for-profit



# Low-Income Representation



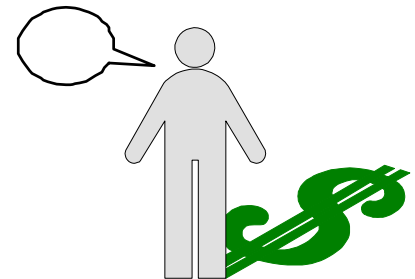
- Three ways to meet the 1/3 minimum requirement:
  - ◆ Residents of low-income neighborhoods in the community
  - ◆ Low-income residents of the community
  - ◆ Elected representatives of low-income neighborhood organizations





# Low-Income Input

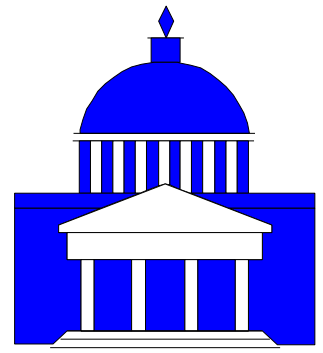
- CHDO must also provide formal process for low-income beneficiaries to provide input
  - ◆ Must be described in writing
  - ◆ Must be in by-laws or resolution
- Ways to achieve this:
  - ◆ Special committees or neighborhood advisory councils
  - ◆ Open town meetings



# Public-Sector Representatives



- Public sector representatives include:
  - ◆ Elected officials
  - ◆ Appointed officials
  - ◆ Public employees
  - ◆ Persons appointed by a public official
- Low-income public officials count against the 1/3 public sector max

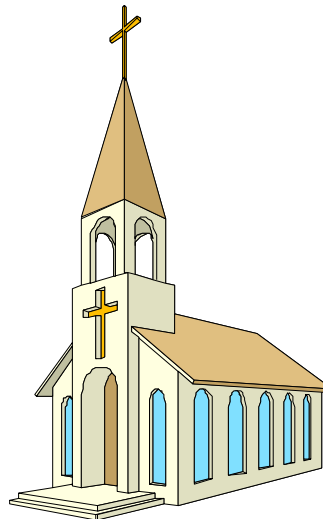


# CHDO Spin-Offs (I)

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- Religious entities can sponsor a CHDO
  - ◆ Must be secular organization
  - ◆ Religious entity may not control organization
  - ◆ Housing must be for secular purposes



# CHDO Spin-Offs (II)

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- For-profit entities can sponsor a CHDO:
  - ◆ Cannot be controlled by the for-profit
  - ◆ Primary purpose of for-profit cannot be housing ownership/management
  - ◆ For-profit reps cannot be more than 1/3 of board
  - ◆ CHDO must be free to contract for goods/services from any vendor

# Capacity and Experience

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- Organization must:
  - ◆ Have at least ONE YEAR of experience serving the community
  - ◆ Demonstrate staff capacity to carry out planned activities
  - ◆ Have financial accountability standards
- Capacity must be relevant to type of CHDO activity to be undertaken

# CHDO Designation

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- Don't make these mistakes
  - ◆ No geographic boundaries
  - ◆ Have applied for IRS tax-exempt status but haven't received IRS letter
  - ◆ Re-designation not done each year and board has changed
  - ◆ CHDO designation from neighboring jurisdictions used
  - ◆ CHDO doesn't have capacity

# Uses of HOME Funds

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- Eligible uses of CHDO set-aside funds:
  - ◆ Acquisition and/or rehab of rental or homebuyer housing
  - ◆ New construction (rental or homebuyer)
  - ◆ Direct financial assistance to:
    - buyers of HOME-assisted units
    - sponsored/developed by CHDO

# Uses of HOME Funds II

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- Ineligible use of set-aside funds:
  - ◆ Tenant-based rental assistance
  - ◆ Homeowner rehab
  - ◆ “Brokering” or other real estate transaction

# CHDO Roles

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- To count towards the CHDO set-aside, CHDO must act as:
  - ◆ Owner
  - ◆ Developer OR
  - ◆ Sponsor

# CHDO as Owner

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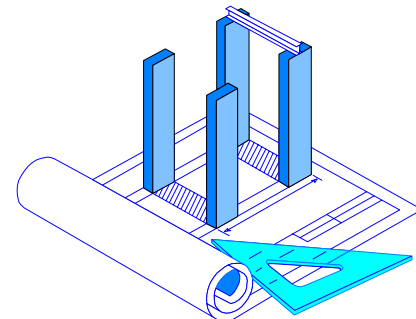


- As owner, CHDO:
  - ◆ Holds valid legal title OR
  - ◆ Has long-term leasehold interest
- CHDO may be an owner in partnership
  - ◆ Must have effective control
- CHDO may be both owner and developer of its own project

# Developer



- CHDO owns property OR has contractual obligation to property owner to:
  - ◆ Obtain financing AND
  - ◆ Rehabilitate or construct
- If rental, may also manage project
- If homeownership, CHDO transfers property to homebuyer



# Sponsor

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- As sponsor of rental housing,
  - ◆ Develops a project that it solely or partially owns
  - ◆ Conveys ownership to a second non-profit
- As sponsor of a homebuyer project,
  - ◆ Owns property and shifts responsibility to second non-profit
  - ◆ Second non-profit transfers title and obligations to homebuyers

# CHDO vs. Subrecipients

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- CHDOs may take on the role of subrecipient
  - ◆ Not a CHDO set-aside activity
  - ◆ May not receive HOME funds for a project through the subrecipient activity
  - ◆ May get access to PJ's admin \$\$

# Special Assistance

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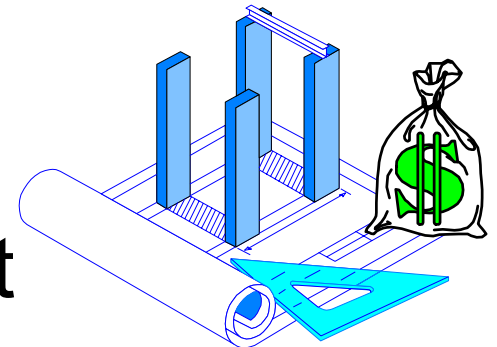


- PJs may provide special forms of assistance to CHDOs
  - ◆ Project pre-development loans
  - ◆ Operating assistance
  - ◆ Use of HOME project proceeds
  - ◆ Capacity-building assistance

# Pre-Development Funds



- Access to up-front money
- Costs must be
  - ◆ related to specific project
  - ◆ for HOME eligible activities
- Uses and costs must be customary and reasonable
- Up to 10% of set-aside
- Not limited to 10% of a project



# Types of Pre-Development Loans



- Technical assistance and site control loans
  - ◆ Used to establish preliminary feasibility prior to site control
  - ◆ Do not require environmental clearance
- Seed money loans
  - ◆ Cover pre-construction costs
  - ◆ Must have site control



# Restrictions on Pre-Development Loans

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- Funds must be provided as a loan
  - ◆ CHDO must repay from construction loan proceeds or other income
  - ◆ PJ may waive repayment if:
    - There are impediments to project development beyond the CHDO's control
    - Project deemed infeasible

# CHDO Operating Assistance

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- Up to 5% of PJ's HOME allocation may be used for CHDO operating
  
- Eligible uses:
  - ◆ Organizational support
  - ◆ Housing education
  - ◆ Admin expenses
  - ◆ Operating expenses

# Limitations on Operating Assistance

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- Assistance may NOT exceed:
  - ◆ \$50,000 each fiscal year OR
  - ◆ 50% of CHDO's total annual operating expenses for that year

*WHICHEVER IS GREATER!*
- Admin funds to CHDOs acting as subrecipients do NOT count towards cap



# Project Proceeds

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- PJs may allow CHDO to retain some or all proceeds from a HOME project
- Proceeds might be:
  - ◆ Proceeds from permanent financing
  - ◆ Interest on HOME loans
- Proceeds are NOT considered program income



# Use of Project Proceeds

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- Use of proceeds must be for:
  - ◆ HOME-eligible activities OR
  - ◆ Other low-income housing activities
- Written agreement with CHDO must include:
  - ◆ Whether CHDO will retain any proceeds
  - ◆ The specific use of proceeds

# Capacity-Building Assistance

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- Only applies to PJs in first 2 years of participation in the HOME Program!
- HOME funds can be used for CHDO capacity building
  - ◆ Up to 20% of CHDO set-aside
  - ◆ Total cannot exceed \$150,000
  - ◆ Use for intermediary organizations, training and TA or operating expenses

# Selecting CHDOs

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- Identify potential organizations
  - ◆ Hold information sessions
  - ◆ Provide information to groups
- Determine eligibility and basic capacity
  - ◆ Use the CHDO checklist
- Assess additional needed capacity
  - ◆ Organizational issues
  - ◆ Experience
  - ◆ Financial management

# Building Eligibility and Capacity

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- Eligibility Issues —————→ “Fix It”
- Building capacity requires more
  - ◆ Good business planning
  - ◆ Sufficient capital
  - ◆ Keen marketing/customer knowledge
  - ◆ Technical expertise
  - ◆ Strong leadership and staffing

# Creating New CHDOs

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- Create new CHDOs when:
  - ◆ No CHDOs exist
  - ◆ Potential groups don't want to change structure or to work on bricks-and-mortar
  - ◆ Qualified groups don't have sufficient capacity
- PJs must avoid controlling organizations they charter

# Building Long-Term Relationships

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- Plan ahead and take a multi-year approach
- Build successful partnerships
- Continuously build the capacity of the “system”
- Create a network

